

MARYSVILLE HOUSING COMMISSION
MARYSVILLE, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Marysville Housing Commission	County* ST. CLAIR	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* November 8, 2008	Audit Submitted-Use Calendar* November 10, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$598,994
General Fund Expenditure:	? \$756,130
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$3,204,083
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050			
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930	
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 1100 New York	Unit's City* Marysville	Unit's Zip* 48040		

MARYSVILLE HOUSING COMMISSION
TABLE OF CONTENTS
March 31, 2008

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-9
Basic Financial Statements:	
Statement of Net Assets	10-11
Statement of Revenues, Expenses, and Changes in Net Assets	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-24
SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	25-26
Combining Statement of Revenues, Expenses, and Changes in Net Assets By Program	27
Combining Statement of Cash Flows By Program	28-29
Financial Data Schedule	30-33
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35
Schedule of Findings and Responses	36-41

Independent Auditor's Report

Board of Commissioners
Marysville Housing Commission
Marysville, Michigan

I have audited the accompanying financial statements of the business-type activities of the Marysville Housing Commission, Michigan, (Housing Commission) a component unit of the City of Marysville, as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Marysville Housing Commission, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Marysville Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2008, on my consideration of Marysville Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 9, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Marysville Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Darryl E. Jandutte, CPA, PC

November 8, 2008

MARYSVILLE HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2008
(Unaudited)

As management of the Marysville Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Marysville Housing Commission's financial activities for the fiscal year ended March 31, 2008. This discussion and analysis letter of the Marysville Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

Financial Highlights

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 were \$3,204,083. The net assets decreased by \$157,136, a decrease of 4.7% from the prior year.

Revenues and contributions for the Commission were \$598,994 for the year ended March 31, 2008. This was a decrease of \$71,606 or 10.7% from the prior year.

Expenses for the Commission were \$756,130 for the year ended March 31, 2008. This was an increase of \$48,102 or 6.8% over the prior year.

HUD operating grant subsidies were \$192,327 for the year ended March 31, 2008. This was an increase of \$36,269 or 23.2% over the prior year. Capital contributions for the Commission were \$16,773 for the year ended March 31, 2008. This was a decrease of \$138,393 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Marysville Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 132 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. Normally a Housing Commission has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies, but since the Housing Commission has less than 250 units they are permitted to use more than 20%. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$3,204,083 at the close of the year ended March 31, 2008 down from \$3,361,219 in 2007. The decrease in net assets of \$157,136 was due to the change in net assets for the year.

The unrestricted net assets were \$466,071 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS MARCH 31,

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>
Current and other assets	\$ 606,945	\$ 582,458	\$ 24,487
Capital assets	<u>2,738,012</u>	<u>2,925,256</u>	<u>(187,244)</u>
Total assets	<u>\$3,344,957</u>	<u>\$3,507,714</u>	<u>\$ (162,757)</u>
Current liabilities	<u>\$ 140,874</u>	<u>\$ 146,495</u>	<u>\$ (5,621)</u>
Net assets:			
Invested in capital assets	2,738,012	2,925,256	(187,244)
Unrestricted net assets	<u>466,071</u>	<u>435,963</u>	<u>30,108</u>
Total net assets	<u>3,204,083</u>	<u>3,361,219</u>	<u>(157,136)</u>
Total liabilities and net assets	<u>\$3,344,957</u>	<u>\$3,507,714</u>	<u>\$ (162,757)</u>

Current and other assets increased by \$24,487, in part, due to cash increasing by \$67,268 from cash flows.

FINANCIAL ANALYSIS (CONTINUED)

Current liabilities decreased by \$5,621, in part, due to the accounts payable for PILOT decreasing by \$13,735 from the prior year. Accrued wages increased by \$17,940 due to owing for two months rather than one month like the prior year. Accounts payable-trade and current liabilities for utilities decreased by \$9,978.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The decrease of \$187,244 in capital assets, is due to the depreciation expense of \$206,855, netted against capital outlays of \$19,611.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions decreased by \$71,606, in part, due to the increase in tenant rents of \$27,417, an increase in interest income of \$2,116, and a decrease in federal funding of \$102,124 from the prior year.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS MARCH 31,

	<u>2008</u>	<u>2007</u>	<u>Net Change</u>
Revenues and Contributions			
Dwelling rent	\$ 362,854	\$ 335,437	\$ 27,417
Nondwelling rent	2,102	1,201	901
Interest income	22,828	20,712	2,116
Other income	2,110	2,026	84
HUD operating grants	192,327	156,058	36,269
Capital contributions	<u>16,773</u>	<u>155,166</u>	<u>(138,393)</u>
Total Revenues and Contributions	<u>598,994</u>	<u>670,600</u>	<u>(71,606)</u>
Expenses			
Personnel services	273,077	246,801	26,276
Utilities	106,539	109,040	(2,501)
Operations and maintenance	88,589	78,727	9,862
Insurance	24,234	27,875	(3,641)
Payment in lieu of taxes	23,300	19,247	4,053
Other supplies and expenses	33,536	26,525	7,011
Depreciation	<u>206,855</u>	<u>199,813</u>	<u>7,042</u>
Total Expenses	<u>756,130</u>	<u>708,028</u>	<u>48,102</u>
Change in Net Assets	<u><u>\$ (157,136)</u></u>	<u><u>\$ (37,428)</u></u>	<u><u>\$ (119,708)</u></u>

FINANCIAL ANALYSIS (CONTINUED)

Total expenses for the Commission increased by \$48,102, due in part, to increases in wages of \$23,392 and employee benefits of \$2,884. Cost of living increases and adding more part-time help for the maintenance area accounts for the increase in wages. Maintenance costs increased by \$9,862 due to, in part, contract costs increasing by \$7,119, which includes flooring costs increasing by \$5,123 and plumbing costs increasing by \$2,153. Other supplies and expenses increased by \$7,011 due, in part, to tenant services other increasing by \$3,249, writing off bad debts in the amount of \$1,483, and accounting fees increasing by \$1,515 over the prior year.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>03/31/08</u>	<u>03/31/07</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$187,242	\$156,058	\$ 31,184	20.0%
Capital Fund Program	21,858	155,166	(133,308)	(85.9)%
Total	<u>\$209,100</u>	<u>\$311,224</u>	<u>\$(102,124)</u>	<u>(32.8)%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The Public Housing subsidy increased due to decreases in the incomes of our tenants. Capital Fund Program grants were used for capital improvements and operations. During the fiscal year ending March 31, 2008 the 2005 CFP was closed out. A total of \$22,329 was spent on a fire alarm system during the 2007/08 fiscal year and another \$5,085 on drywall repairs from operations. Normally the Housing Commission receives about \$136,000 to \$150,000 in capital improvement funding per fiscal year. Since 62% of the 2006 CFP funding and 100% of the 2007 CFP funding has yet to be spent as of March 31, 2008, explains why the funding for the capital fund program decreased by \$133,308 from the prior year.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ended March 31, 2008 was prepared.

OPERATIONAL HIGHLIGHTS

The Marysville Housing Commission provided 132 housing units to very low-income elderly and persons with disabilities during the fiscal year ending March 31, 2008. During the fiscal year ending March 31, 2008, the Marysville Housing Commission maintained a lease-up rate of 98.2% in its Public Housing Program. This lease-up rate is in line with HUD guidelines.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

CAPITAL ASSETS

The Marysville Housing Commission's investment in capital assets, as of March 31, 2008 amounts to \$2,738,012 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION MARCH 31,

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Land	\$ 104,253	\$ 104,253	\$
Buildings	3,768,997	3,768,997	
Furniture, equip. & machinery-dwellings	77,918	77,918	
Furniture, equip. & machinery-admin.	113,069	112,679	390
Building improvements	1,775,531	1,760,639	14,892
Construction in progress	<u>3,645</u>	<u></u>	<u>3,645</u>
	5,843,413	5,824,486	18,927
Accumulated depreciation	<u>(3,105,401)</u>	<u>(2,899,230)</u>	<u>(206,171)</u>
Total	<u>\$2,738,012</u>	<u>\$2,925,256</u>	<u>\$(187,244)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$187,244 or 6.4% in terms of net book value. The capital expenditures during the current fiscal year included roof improvements and remodel kitchens. Capital improvements planned for the next fiscal year include office computers; replacing a truck; new software; addition for beauty salon, exercise room, smokers lounge, balcony repairs and alterations; security cameras; concrete flatwork; and install automatic door openers and upgrade entry call system.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Wayne P. Pyden, Executive Director
1100 New York Avenue
Marysville, Michigan 48040

FINANCIAL STATEMENTS

MARYSVILLE HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2008
=====

ASSETS

Current Assets:	
Cash	\$ 149,583
Receivables	5,362
Investments-unrestricted	<u>452,000</u>
Total Current Assets	<u>606,945</u>
Capital Assets:	
Land	104,253
Buildings	3,768,997
Equipment	190,987
Building improvements	1,775,531
Construction in progress	<u>3,645</u>
	5,843,413
Less: accumulated depreciation	<u>(3,105,401)</u>
Net Capital Assets	<u>2,738,012</u>
Total Assets	<u>\$ 3,344,957</u>

See notes to financial statements

MARYSVILLE HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2008
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 51,019
Tenant security deposit liability	29,442
Accrued expenses	38,843
Other current liabilities	21,468
Deferred revenues	<u>102</u>
Total Current Liabilities	<u>140,874</u>
Net Assets:	
Invested in capital assets	2,738,012
Unrestricted net assets	<u>466,071</u>
Total Net Assets	<u>3,204,083</u>
Total Liabilities and Net Assets	<u>\$ 3,344,957</u>

See notes to financial statements

MARYSVILLE HOUSING COMMISSION
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**
 Year Ended March 31, 2008
 =====

OPERATING REVENUES:

Dwelling rent	\$ 362,854
Nondwelling rent	2,102
Operating grants	<u>192,327</u>
Total operating revenues	<u>557,283</u>

OPERATING EXPENSES:

Administration	149,478
Tenant services	4,813
Utilities	106,539
Ordinary maintenance and operation	232,342
General expenses	49,017
Extraordinary maintenance	7,086
Depreciation	<u>206,855</u>

Total operating expenses	<u>756,130</u>
--------------------------	----------------

Operating income(loss)	<u>(198,847)</u>
------------------------	-------------------

NONOPERATING REVENUES:

Investment interest income	22,828
Other income	<u>2,110</u>

Total nonoperating revenues	<u>24,938</u>
-----------------------------	---------------

Income(loss) before contributions	(173,909)
-----------------------------------	------------

CAPITAL CONTRIBUTIONS

	<u>16,773</u>
--	---------------

Change in net assets	(157,136)
----------------------	------------

Net assets, beginning	<u>3,361,219</u>
-----------------------	------------------

Net assets, ending	<u>\$ 3,204,083</u>
--------------------	---------------------

See notes to financial statements

MARYSVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2008
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 364,891
Cash received from operating grants	199,941
Cash payments to other suppliers of goods and services	(234,478)
Cash payments to employees for services	(255,137)
Cash payments for in lieu of taxes	(37,035)
Net cash provided by operating activities	<u>38,182</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

Tenant security deposits	448
Other revenue	<u>2,110</u>
Net cash provided by noncapital financing activities	<u>2,558</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Capital grants	16,773
Payments for capital acquisitions	<u>(19,611)</u>
Net cash (used) by capital and related financing activities	<u>(2,838)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased	(145,238)
Receipts of interest and dividends	<u>29,366</u>
Net cash (used) by investing activities	<u>(115,872)</u>

Net increase(decrease) in cash (77,970)

Cash, beginning 227,553

Cash, ending \$ 149,583

MARYSVILLE HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2008
=====

RECONCILIATION OF OPERATING INCOME(LOSS)
TO NET CASH PROVIDED (USED) BY
OPERATING ACTIVITIES:

Operating income(loss)	\$ (198,847)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	206,855
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-HUD	13,764
Accounts receivable-tenants	231
Prepaid expenses and other assets	22,248
Increase (decrease) in liabilities:	
Accounts payable	(1,713)
Accounts payable in lieu of taxes	(13,735)
Accrued wages/payroll taxes	17,940
Other current liabilities	(8,265)
Deferred revenues	<u>(296)</u>
Net cash provided by operating activities	<u>\$ 38,182</u>

See notes to financial statements

MARYSVILLE HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2008
=====

NOTE 1: Summary of Significant Accounting Policies

Marysville Housing Commission(Housing Commission) is a component unit of the City of Marysville, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Marysville on January 18, 1977, consisting of a five member board appointed by the City Manager. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Marysville Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

1(d) Assets, Liabilities, and Equity (Continued)

Estimates and Assumptions (Continued)

expenses.

Capital Assets

The accounting treatment over property, plan, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	15 years
Furniture, equipment and machinery	3 - 7 years

Compensated Absences

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation time not taken shall not be accumulated and employees shall not be paid for any unused vacation time.
- * Sick leave may be accumulated not to exceed one hundred twenty (120) days. In no event shall an employee be paid for sick leave not taken.

Since there is not any accumulation of leave time allowed, there is no accrual for compensated absences needed.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no

1(d) Assets, Liabilities, and Equity (Continued)

Equity Classifications (Continued)

related debt.

- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.s. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

2(b) Deposits and Investments Laws and Regulations (Continued)

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the fiscal year ended March 31, 2008, the Housing Commission complied in all material respects, with these revenue restrictions.

2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

3(a) Cash and Investments (Continued)

Deposits (Continued)

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Category 1	Credit Category 2	Risk Category 3	Total Carrying Value
Demand deposits	\$ 1,222	\$ 1,222	\$	\$	\$ 501
Money market accounts	47,293	47,293			47,293
Savings account	101,689	101,689			101,689
Total Deposits	<u>\$ 150,204</u>	<u>\$150,204</u>	<u>\$</u>	<u>\$</u>	<u>\$149,483</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission(or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2008. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk			Carrying	Fair
	Category 1	Category 2	Category 3	Amount	Value
Governmental securities	<u>\$452,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 452,000</u>	<u>\$452,000</u>

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 149,483
Petty cash	100
Investments	452,000
Total	<u>\$ 601,583</u>

3(a) Cash and Investments (Continued)

Cash and cash equivalents:	
Enterprise activities	\$ 602,304
Enterprise activities - checks written in excess of deposits	(721)
Total	<u>\$ 601,583</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2008, is as follows:

HUD	\$ 2,950
Accrued interest receivable	<u>2,412</u>
	<u>\$ 5,362</u>

3(c) Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Balance 03/31/07</u>	<u>Additions/Retirements/ Transfers Transfers</u>		<u>Balance 03/31/08</u>
Low Rent Program				
Land	\$ 104,253	\$	\$	\$ 104,253
Buildings	3,768,997			3,768,997
Furniture, equip. & machinery - dwellings	77,918			77,918
Furniture, equip. & machinery - administration	112,679	1,074	(684)	113,069
Building improvements	<u>1,585,463</u>	<u>1,764</u>		<u>1,587,227</u>
	5,649,310	<u>\$ 2,838</u>	<u>\$(684)</u>	5,651,464
Less accumulated depreciation	<u>(2,895,279)</u>	<u>\$(195,759)</u>	<u>\$ 684</u>	<u>(3,090,354)</u>
Total	<u>\$ 2,754,031</u>			<u>\$ 2,561,110</u>
Capital Fund Program				
Building improvements	\$ 175,176	\$ 13,128	\$	\$ 188,304
Construction in progress	<u>175,176</u>	<u>3,645</u>		<u>3,645</u>
	175,176	<u>\$ 16,773</u>	<u>\$</u>	191,949
Less accumulated depreciation	<u>(3,951)</u>	<u>\$(11,096)</u>	<u>\$</u>	<u>(15,047)</u>
Total	<u>\$ 171,225</u>			<u>\$ 176,902</u>
Combined Totals				<u>\$ 2,738,012</u>

3(c) Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 195,759
Capital Fund Program	<u>11,096</u>
	<u>\$ 206,855</u>

3(d) Accounts Payable

Payable detail at March 31, 2008, is as follows:

Accounts payable - vendors	\$ 8,473
Accounts payable - other government - PILOT	<u>42,546</u>
	<u>\$ 51,019</u>

3(e) Interprogram Transactions and Balances

Operating Transfers

There was an operating transfer of \$5,085 from the capital fund program to the low rent program during the fiscal year ended March 31, 2008.

Interprogram Receivable/Payable

Low Rent Program	\$ 2,950
Capital Fund Program	<u>(2,950)</u>
	<u>\$</u>

NOTE 4: Other Information

4(a) Pension Plan

The Housing Commission has a Defined Contribution Pension Plan for all eligible employees. The Plan allows for participating employees to make contributions as well as the contributions made on their behalf by the Housing Commission. This plan only defines the amount contributed each year as a percent of gross wages (usually 3-5% annually). The total amount paid to the plan during the fiscal year ended March 31, 2008 was \$6,222.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees, employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with the Michigan Insurance Alliance
b. Injuries to employees (workers' compensation)	Participates with the City of Marysville's plan.
c. Physical property loss and natural disasters	Purchased insurance with the Michigan Insurance Alliance.
d. Health	Participates with the City of Marysville's plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At March 31, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 150,354	\$ 150,354
2006 CFP	136,927	43,730
2007 CFP	140,160	-
2008 CFP	147,933	-

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION

MARYSVILLE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

March 31, 2008

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 149,583	\$
Receivables	2,412	2,950
Investments-unrestricted	452,000	
Due to other programs	<u>2,950</u>	<u> </u>
Total current assets	<u>606,945</u>	<u>2,950</u>
Capital assets:		
Land	104,253	
Buildings	3,768,997	
Equipment	190,987	
Building improvements	1,587,227	188,304
Construction in progress	<u> </u>	<u>3,645</u>
	5,651,464	191,949
Less accumulated depreciation	<u>(3,090,354)</u>	<u>(15,047)</u>
Net capital assets	<u>2,561,110</u>	<u>176,902</u>
Total Assets	<u>\$ 3,168,055</u>	<u>\$ 179,852</u>

Totals

\$ 149,583
5,362
452,000
2,950

609,895

104,253
3,768,997
190,987
1,775,531
3,645
5,843,413
(3,105,401)

2,738,012

\$ 3,347,907

MARYSVILLE HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)

March 31, 2008

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 51,019	\$
Tenant security deposit liability	29,442	
Accrued expenses	38,843	
Other current liabilities	21,468	
Deferred revenues	102	
Due to other programs	<u> </u>	<u>2,950</u>
Total current liabilities	<u>140,874</u>	<u>2,950</u>
Net assets:		
Invested in capital assets	2,561,110	176,902
Unrestricted net assets	<u>466,071</u>	<u> </u>
Total net assets	<u>3,027,181</u>	<u>176,902</u>
Total Liabilities and Net Assets	<u>\$3,168,055</u>	<u>\$ 179,852</u>

Totals

\$ 51,019
29,442
38,843
21,468
102
2,950

143,824

2,738,012

466,071

3,204,083

\$ 3,347,907

MARYSVILLE HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended March 31, 2008
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 362,854	\$
Nondwelling rent	2,102	
Operating grants	<u>187,242</u>	<u>5,085</u>
Total operating revenues	<u>552,198</u>	<u>5,085</u>
OPERATING EXPENSES:		
Administration	149,478	
Tenant services	4,813	
Utilities	106,539	
Ordinary maintenance and operation	232,342	
General expenses	49,017	
Extraordinary maintenance	7,086	
Depreciation	<u>195,759</u>	<u>11,096</u>
Total operating expenses	<u>745,034</u>	<u>11,096</u>
Operating income(loss)	<u>(192,836)</u>	<u>(6,011)</u>
NONOPERATING REVENUES(EXPENSES) :		
Operating transfers in(out)	5,085	(5,085)
Investment interest income	22,828	
Other income	<u>2,110</u>	
Total nonoperating revenues (expenses)	<u>30,023</u>	<u>(5,085)</u>
Income(loss) before contributions	(162,813)	(11,096)
CAPITAL CONTRIBUTIONS		<u>16,773</u>
Change in net assets	(162,813)	5,677
Net assets, beginning	<u>3,189,994</u>	<u>171,225</u>
Net assets, ending	<u>\$3,027,181</u>	<u>\$176,902</u>

Totals

\$ 362,854
2,102
192,327

557,283

149,478
4,813
106,539
232,342
49,017
7,086
206,855

756,130

(198,847)

22,828
2,110

24,938

(173,909)

16,773

(157,136)

3,361,219

\$ 3,204,083

MARYSVILLE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2008

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 364,891	\$
Cash received from operating grants	187,242	12,699
Cash payments to other suppliers of goods and services	(234,478)	
Cash payments to employees for services	(255,137)	
Cash payments for in lieu of taxes	<u>(37,035)</u>	
Net cash provided by operating activities	<u>25,483</u>	<u>12,699</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	5,085	(5,085)
Interprogram due from/payable	7,614	(7,614)
Tenant security deposits	448	
Other revenue	<u>2,110</u>	
Net cash provided(used) by noncapital financing activities	<u>15,257</u>	<u>(12,699)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		16,773
Payments for capital acquisitions	<u>(2,838)</u>	<u>(16,773)</u>
Net cash (used) by capital and related financing activities	<u>(2,838)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased	(145,238)	
Receipts of interest and dividends	<u>29,366</u>	
Net cash (used) by investing activities	<u>(115,872)</u>	
Net increase(decrease) in cash	(77,970)	
Cash, beginning	<u>227,553</u>	
Cash, ending	<u>\$ 149,583</u>	<u>\$</u>

Totals

\$ 364,891
199,941

(234,478)
(255,137)
(37,035)

38,182

448
2,110

2,558

16,773
(19,611)

(2,838)

(145,238)
29,366

(115,872)

(77,970)

227,553

\$ 149,583

MARYSVILLE HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)

Year Ended March 31, 2008

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH PROVIDED(USED)		
BY OPERATING ACTIVITIES:		
Operating income(loss)	\$(192,836)	\$(6,011)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	195,759	11,096
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-HUD		13,764
Accounts receivable-tenants	231	
Prepaid expenses and other assets	22,248	
Increase (decrease) in liabilities:		
Accounts payable	(1,713)	
Accounts payable-PILOT	(13,735)	
Accrued wages/payroll taxes	17,940	
Other current liabilities	(2,115)	(6,150)
Deferred revenues	<u>(296)</u>	
Net cash provided by operating activities	<u>\$ 25,483</u>	<u>\$ 12,699</u>

Totals

\$ (198,847)

206,855

13,764

231

22,248

(1,713)

(13,735)

17,940

(8,265)

(296)

\$ 38,182

MARYSVILLE HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2008

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 120,141	\$
114	Cash-tenant security deposits	<u>29,442</u>	
100	Total cash	<u>149,583</u>	
	Receivables:		
122	A/R-HUD other projects		2,950
129	Accrued interest receivable	<u>2,412</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>2,412</u>	<u>2,950</u>
	Current Investments:		
131	Investments-unrestricted	<u>452,000</u>	
	Other Current Assets:		
144	Interprogram due from	<u>2,950</u>	
	Total other current assets	<u>2,950</u>	
150	Total current assets	<u>606,945</u>	<u>2,950</u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	104,253	
162	Buildings	3,768,997	
163	Furn, equip & mach-dwellings	77,918	
164	Furn, equip & mach-admin.	113,069	
165	Building improvements	1,587,227	188,304
166	Accumulated depreciation	(3,090,354)	(15,047)
167	Construction in progress		<u>3,645</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,561,110</u>	<u>176,902</u>
180	Total noncurrent assets	<u>2,561,110</u>	<u>176,902</u>
190	Total Assets	<u>\$ 3,168,055</u>	<u>\$ 179,852</u>

Totals

\$ 120,141
29,442

149,583

2,950

2,412

5,362

452,000

2,950

2,950

609,895

104,253

3,768,997

77,918

113,069

1,775,531

(3,105,401)

3,645

2,738,012

2,738,012

\$ 3,347,907

MARYSVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2008
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 8,473	\$
321	Accrued wage/payroll taxes payable	38,843	
333	Accounts payable-other government	42,546	
341	Tenant security deposits	29,442	
342	Deferred revenues	102	
345	Other current liabilities	21,468	
347	Interprogram due to		<u>2,950</u>
310	Total current liabilities	<u>140,874</u>	<u>2,950</u>
300	Total liabilities	<u>140,874</u>	<u>2,950</u>
	Equity:		
508.1	Invested in capital assets	<u>2,561,110</u>	<u>176,902</u>
508	Total equity	2,561,110	176,902
	Net Assets:		
512.1	Unrestricted net assets	<u>466,071</u>	
513	Total equity/net assets	<u>3,027,181</u>	<u>176,902</u>
600	Total Liabilities and Equity/Net Assets	<u>\$3,168,055</u>	<u>\$ 179,852</u>

Totals

\$ 8,473

38,843

42,546

29,442

102

21,468

2,950

143,824

143,824

2,738,012

2,738,012

466,071

3,204,083

\$ 3,347,907

MARYSVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2008
 =====

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$ 362,854	\$
704	Tenant revenue-other	<u>2,102</u>	<u></u>
705	Total tenant revenue	364,956	
706	HUD PHA grants	187,242	5,085
706.1	Capital grants		16,773
711	Investment income-unrestricted	22,828	
715	Other revenue	<u>2,110</u>	<u></u>
700	Total revenue	<u>577,136</u>	<u>21,858</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	99,348	
912	Auditing fees	4,250	
915	Employee benefit contributions-adm.	22,890	
916	Other operating-administrative	22,990	
	Tenant Services:		
924	Tenant services-other	4,813	
	Utilities:		
931	Water	39,273	
932	Electricity	34,586	
933	Gas	32,680	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	122,862	
942	Ordinary maint & oper-mat'ls & other	35,291	
943	Ordinary maint & oper-contract costs	46,212	
945	Employee benefit contributions- ordinary maintenance	27,977	
	General expenses:		
961	Insurance premiums	24,234	
963	Payments in lieu of taxes	23,300	
964	Bad debt-tenant rents	<u>1,483</u>	<u></u>
969	Total operating expenses	<u>542,189</u>	<u></u>
970	Excess operating revenue over operating expenses	<u>34,947</u>	<u>21,858</u>

<u>Totals</u>	
\$	362,854
	<u>2,102</u>
	364,956
	192,327
	16,773
	22,828
	<u>2,110</u>
	<u>598,994</u>
	99,348
	4,250
	22,890
	22,990
	4,813
	39,273
	34,586
	32,680
	122,862
	35,291
	46,212
	27,977
	24,234
	23,300
	<u>1,483</u>
	<u>542,189</u>
	<u>56,805</u>

MARYSVILLE HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2008
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	7,086	
974	Depreciation expense	<u>195,759</u>	<u>11,096</u>
	Total other expenses	<u>202,845</u>	<u>11,096</u>
900	Total expenses	<u>745,034</u>	<u>11,096</u>
	Other Financing Sources(Uses):		
1001	Operating transfers in	5,085	
1002	Operating transfers out	<u> </u>	<u>(5,085)</u>
1010	Total other financing sources(uses)	<u>5,085</u>	<u>(5,085)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(162,813)	5,677
1103	Beginning Net Assets	<u>3,189,994</u>	<u>171,225</u>
	Ending Net Assets	<u>\$ 3,027,181</u>	<u>\$ 176,902</u>

Totals

7,086
206,855

213,941

756,130

5,085
(5,085)

(157,136)

3,361,219

\$ 3,204,083

**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Housing Commissioners
Marysville Housing Commission
Marysville, Michigan

I have audited the financial statements of the business-type activities of the Marysville Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated November 8, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than

Report on Internal Control over Financial
Reporting and on Compliance and Other
Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
Marysville Housing Commission
Page Two

Internal Control Over Financial Reporting (Continued)

inconsequential will not be prevented or detected by the Housing Commission's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses (Finding 2008-1) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-2, 2008-3, 2008-4, and 2008-5.

This report is intended solely for the information and use of management, Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Standish, M.D., PC

November 8, 2008

MARYSVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
March 31, 2008

=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Low Rent Public Housing Program - CFDA No. 14.850a

FINDING 2008-1: Disbursement Controls

Criteria: HUD Guidebook 7510.1 Chapter 2 Financial Operations and Accounting, issued May 7, 1996: HUD does not provide a specific financial management or accounting system for the Housing Commission to follow. The Housing Commission has the responsibility to establish such systems that meet basic standards as stipulated by Federal requirements in 24 CFR Part 85 for all grantees. Internal control is a basic standard the Housing Commission must take into consideration when developing its financial management and accounting system.

Statement of Condition: The Housing Commission's processing of disbursements has many controls, but I noticed that the invoices are not "marked" after payment and the Board approves a list of invoices that need to be paid, but the list does not include a check number.

Questioned Costs: None

Perspective Information: The Housing Commission pays about fifteen to twenty-five different invoices a month.

Cause: Since the Statement of Auditing Standards (SAS) No. 112, became effective 12/06, auditor's have been searching for ways to improve their client's internal controls.

Effect or Potential Effect: There is the potential of inadvertently paying invoices twice and that an unauthorized disbursement could be made.

Recommendation: I recommend that the invoices be marked "paid" after they have been approved for payment by the Board and the checks have been signed. I also recommend that the checks be prepared before the Board meetings and that the check number be included on the list of vouchers to be paid. The minutes should summarize the check numbers that were approved to be paid and the total amount and the checks that were paid before the Board meeting, such as utility bills.

Response: We agree with this recommendation and will implement it beginning with the November Board meeting.

MARYSVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
March 31, 2008
=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Low Rent Public Housing Program - CFDA No. 14.850a

FINDING 2008-2: Personnel Policy

Criteria: Pursuant to the Annual Contributions Contract entered into between the Marysville Housing Commission and the U.S. Department of Housing and Urban Development.

Statement of Condition: The current personnel policy was effective as April 15, 1985.

Questioned Costs: None

Perspective Information: The Housing Commission employs an Executive Director, two full-time maintenance staff, a part-time administrative clerk/tenant services coordinator, and several part-time maintenance personnel.

Cause: There hasn't been any changes to employee benefits or other parts of the policy, therefore, no urgent need to update.

Effect or Potential Effect: After a period of over twenty years there may be new laws and regulations that the Housing Commission is not aware of. Also, to protect the assets of the Housing Commission it would be good to update the personnel policy.

Recommendation: I recommend that the Housing Commission Board begin the process of updating the personnel policy.

Response: We agree that the personnel policy may be outdated and should be updated. The Executive Director will bring this up at the next board meeting.

MARYSVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
March 31, 2008
=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Low Rent Public Housing Program - CFDA No. 14.850a

FINDING 2008-3: Procurement Policy

Criteria: 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007). Part 85 is the section of the Code of Federal Regulations, Title 24 that includes the administrative requirements for grantees receiving federal funds. Part 85 provides guidance on developing a procurement policy and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis. The handbook was revised in March 2007 and incorporates changes in Federal laws and regulations.

Statement of Condition: The current procurement policy is dated November 21, 1991.

Questioned Costs: None

Perspective Information: HUD's new Handbook revision has been updated to clarify, simplify, and update procurement requirements for public housing. It incorporates changes in Federal laws, regulations, and other instructions.

Cause: The Executive Director was aware of the revised procurement policy and had already obtained the new handbook to begin updating the policy.

Effect or Potential Effect: The Housing Commission may not be following Federal laws and regulations by using an outdated procurement policy.

Recommendation: I recommend that the Housing Commission adopt a new procurement policy to be in compliance.

Response: We have the new Handbook and will be updating the procurement policy during the fiscal year ending March 31, 2009.

MARYSVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
March 31, 2008
=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Low Rent Public Housing Program - CFDA No. 14.850a

FINDING 2008-4: Admission's and Continued Occupancy Policy(ACOP)

Criteria: With the advent of RHIIP (Rental Housing Income Integrity Project), HUD had made it clear that PHA policies must be more comprehensive than ever before. The ACOP policy establishes local policies for administering the Low Rent Public Housing Program in accordance with HUD requirements.

Statement of Condition: The Housing Commission's current ACOP policy was adopted on June 15, 1989 and amended January 18, 1996. The policy should be updated to address the requirements contained in PIH Notice 2004-18(HA) concerning verification of social security and SSI benefits using HUD's Enterprise Income Verification(EIV) system for existing tenants, and specify that information for new tenants or applicants be obtained following procedures discussed in this Notice. Also, the ACOP policy should include the required implementation of the Violence Against Women Act(VAWA) of 2005.

Questioned Costs: None

Perspective Information: It is the PHA's policy that will provide staff with the most specific rules on how to handle family situations.

Cause: It is not clear why the Housing Commission has not updated the ACOP policy.

Effect or Potential Effect: By not having some of the more recent regulations in the current ACOP policy, the Housing Commission may not be in compliance with federal regulations.

Recommendation: I recommend the Housing Commission as soon as possible adopt a new ACOP policy.

Response: We are aware that the ACOP policy needs updating and will begin the process of adopting the policy as soon as possible.

MARYSVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
March 31, 2008
=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Low Rent Public Housing Program - CFDA No. 14.850a

FINDING 2008-5: Eligibility

Criteria: 24 CFR 5.216 Disclosure and verification of Social Security Numbers, 24 CFR 960.257 Family income and composition: Regular and interim reexaminations, 24 CFR 5.212 Compliance with the Privacy Act and other requirements, 24 CFR 960.259 Family information and verification, 24 CFR 5.1000 Definitions, 24 CFR 5.506 General provisions, 25 CFR 5.508 Submission of evidence of citizenship or eligible immigration status, 24 CFR 960.253 Choice of Rent.

Statement of Condition: I selected 7 tenant files at random to test. The following information is the result of my testing of the tenant files:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for the fiscal year not in the tenant file or incorrect	1
* D-112-04 missing	
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	1
* D-112-04 missing	
5. Incorrect Verification of Assets	1
* D-112-04 missing	
6. Inspection Report for the fiscal year is missing or incorrect	0
7. Proper rent calculation	0
8. Lease missing or incorrect	0
9. Application missing or incorrect	0
10. Copy of Photo I.D. missing	0
11. Copy of Proof of Social Security Number Verification missing	2
* C208-03 missing	
* E116-03 missing	
12. Worksheet for HUD-50058 missing or incorrect	0
13. Flat Rent/Income Based Rent Choice missing or incorrect	2
* D112-04 missing	
* D213-08 missing	
14. Notice of Rent Adjustment missing or incorrect	2
* D112-04 missing	
* D213-08 missing	
15. Criminal Background Check not done, not documented, or it was in the file	0
16. Declaration of 214 Status missing or incorrect	0

MARYSVILLE HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
March 31, 2008
=====

FINDING 2008-5 (Continued): Eligibility

Statement of Condition (Continued):

	<u># of Exceptions</u>
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Annual Family Composition Review missing or incorrect	1
* D112-04 missing	
19. Annual Review missing or incorrect	<u>0</u>
Total	<u>10</u>

Out of a possible 111, there were 10 exceptions from this test. This represents an exception rate of 9.0%.

Questioned Costs: None

Perspective Information: There were 132 tenant files to choose from.

Cause: Six of the ten exceptions were from an elderly tenant that would not bring most of her information to the office for the most recent annual recertification during the fiscal year ended March 31, 2008.

Effect or Potential Effect: It may be difficult to determine if a tenant is eligible for the program without proper and complete documentation.

Recommendation: I recommend that the Housing Commission continue to the process of obtaining the information needed to complete the tenant file. Except for the difficulty of collecting the information for the one tenant, the Housing Commission does a very good job in obtaining the documentation for the tenant files.

Response: We have purchased new tenant accounting software from a different vendor that is very popular by Housing Commission's in Michigan. The auditor has told us that this would improve our paperwork documentation and we agree.